

FILED

MAY 12 2015

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

**SECRETARY, BOARD OF
OIL, GAS & MINING**

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF QEP ENERGY COMPANY FOR AN ORDER EXTENDING THE BOARD'S ORDER ENTERED IN CAUSE No. 191-06, WHICH SUSPENDED THE APPLICATION OF UTAH ADMIN. CODE R649-3-2, R649-3-10, AND R649-3-11(1) AND (2) FOR THE AREA LOCATED WITHIN THE OURAY PARK II FEDERAL EXPLORATORY UNIT, TO THE LANDS ADDED THROUGH EXPANSION OF THE UNIT, CONSISTING OF ALL OF SECTION 1, THE NE $\frac{1}{4}$ NE $\frac{1}{4}$ OF SECTION 11, AND THE E $\frac{1}{2}$, NW $\frac{1}{4}$, AND THE NE $\frac{1}{4}$ SW $\frac{1}{4}$ OF SECTION 12, TOWNSHIP 7 SOUTH, RANGE 20 EAST, SLM, UTAH COUNTY, UTAH.

**HEARING EXAMINER'S
RECOMMENDED FINDINGS OF FACT
AND CONCLUSIONS OF LAW**

Docket No. 2015-015

Cause No. 191-07

This matter was heard before John C. Rogers, Associate Director, Oil and Gas, Utah Division of Oil, Gas and Mining (the "Division"), as Hearing Examiner designated by the Utah Board of Oil, Gas, and Mining (the "Board"), on Tuesday, April 28, 2015, at approximately 10:00 a.m. in Room 2000 of the Utah Department of Natural Resources, 1594 West North Temple, Salt Lake City, Utah. The Hearing Examiner was represented by John Robinson, Jr., Assistant Attorney General.

Testifying via video conference from Denver, Colorado, on behalf of Petitioner, QEP Energy Company, was Laura Rippentrop, Landman, Aaron Bazzell, Associate Geologist, and Daniel J. Rabiolo, Senior Reservoir Engineer. QEP was represented by Mark L. Burghardt of Holland & Hart, LLP.

Attending on behalf of the Division of Oil, Gas and Mining (the "Division") was Dustin Doucet, Petroleum Engineer. The Division was represented by Steven F. Alder, Assistant Attorney General.

The Hearing Examiner, having considered the testimony presented and the exhibits received into evidence at the hearing, hereby recommends the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. QEP is a Texas Corporation in good standing, with its principal place of business in Denver, Colorado. QEP is qualified to do business in Utah and is fully and appropriately bonded with all Federal and State of Utah agencies.

2. The Request for Agency Action covers the following lands:

Township 7 South, Range 20 East, SLM

Section 1: Lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$, S $\frac{1}{2}$ [All]

Section 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$

Section 12: E $\frac{1}{2}$, NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$

(the "Subject Lands").

3. The oil and gas underlying the subject lands is owned by the United States of America and leased under federal lease UTU-88140. QEP owns a majority of the working interest in this lease.

4. On December 5, 2014, the Utah Board of Oil, Gas and Mining issued the Findings of Fact, Conclusions of Law, and Order in Cause No. 191-06, suspending the application of Utah Admin. Code R649-3-2, R649-3-10, and R649-3-11(1) and (2) for the Ouray Park II Federal Exploratory Unit (the "OP II Unit").

5. The OP II Unit (UTU-90211X) was approved on June 2, 2014, and was expanded effective January 1, 2015, to include all of the subject lands, consisting of 1,201.28 acres, more or less. The unit is administered by the United States Bureau of Land Management (“BLM”), and QEP serves as the Unit Operator. There are no uncommitted tracts within the Unit. According to Section 16 of the OP II Unit Agreement, all operations must be conducted in a manner that will promote conservation and prevent waste.

6. The Subject Lands have not been previously spaced by the Board. The wells on the Subject Lands have been located in accordance with the Division and the Board’s general rules, including the well location and siting rules contained in Utah Admin. Code R649-3-2 and directional drilling rules in Utah Admin. Code R649-3-10 and R649-3-11. Under these rules, each well is to be located within a 400-foot “window” in the center of each 40-acre governmental quarter-quarter section, or substantially equivalent lot or tract, and no well may be located closer than 920 feet from an existing well drilled to or capable of producing oil and gas from the same pool. The default siting and location rules allow an approximate 40-acre well density pattern.

7. Well density and location patterns within the OP II Unit are determined in accordance with the terms of the OP II Unit Agreement and the annual plan of development approved by the BLM. Applications for permit to drill are approved by both the BLM and the Division.

8. Based on a proposed 40-acre density pattern, there is potential for a total of 28 additional wells within the expansion of the OP II Unit. Of these proposed locations, approximately 10 of the wells would require that an exception location approval be obtained pursuant to Utah

Admin. Code R649-3-3 because the wells cannot be located within the allowed “window” due to the topography in portions of the Subject Lands.

9. In requesting that the Board extend its prior order in Cause No. 191-06 and suspend Utah Admin. Code R649-3-2, R649-3-10, and R649-3-11 to cover the expansion of the OP II Unit, QEP has agreed to the following conditions:

(a) The producing interval of any future wells will not be located closer than 460 feet from the OP II Unit boundary without obtaining an exception location from the Division in accordance with Utah Admin. Code R649-3-3;

(b) No well may be directionally drilled on the Subject lands if any portion of the producing wellbore will be closer than 460 feet to the OP II Unit boundary without complying with Utah Admin. Code R649-3-3 and R649-3-11(1) and (2);

(c) QEP or its successor as unit operator of the OP II Unit agrees to provide (1) a plat or sketch showing the distance to lease boundaries and the target location with any application for permit to drill filed for a directionally drilled well and (2) a copy of the annual plan of development and operation for the OP II Unit; and

(d) The requested suspension of these rules will remain in effect only for as long as the Subject lands are committed to the OP II Unit.

10. Evidence presented by QEP indicated that development of the OP II Unit on 40-acre well density is economical and appropriate under the circumstances.

11. QEP mailed copies of the Request to the last known addresses of record as shown in the Uintah County Recorder’s Office and the Bureau of Land Management, Salt Lake City

Office, for all persons having a legally protected interest in this matter by certified mail, return receipt requested.

12. Notice of the filing of the Request and of the hearing was duly published in the Salt Lake Tribune and the Deseret Morning News on April 5, 2015, and the Uintah Basin Standard and the Vernal Express on April 7, 2015.

CONCLUSIONS OF LAW

13. Due and regular notice of the time, place, and purpose of the hearing was properly given in the form and manner as required by law and the rules and regulations of the Board and Division to all parties whose legally protected interests are affected by the Request.

14. The Board has jurisdiction of the parties and of the subject matter pursuant to Utah Code Ann. § 40-6-1. *et seq.*

15. Development in accordance with the OP II Unit annual plan of development will conserve the resource and prevent waste.


16. The requested suspension of the default siting and location rules will result in consistent and orderly development and the greatest ultimate recovery of oil, gas and associated hydrocarbons, prevent waste, and adequately protect the correlative rights of all affected parties in the Subject Lands.

17. QEP has sustained its burden of proof, demonstrated good cause, and satisfied all legal requirements for granting the Request.

HEARING EXAMINER'S RECOMMENDATION

I, John C. Rogers, Associate Director of the Division, acting under Utah Admin. Code R641-113-100, *et seq.*, as the Board's duly-appointed Hearing Examiner in the above-captioned matter, held an evidentiary hearing on the record on April 28, 2015, at approximately 10:00 a.m., in Room 2000 of the Utah Department of Natural Resources, 1594 North Temple, Salt Lake City, Utah. Based on the evidence received in the record, and based on applicable law, I hereby recommend that the Board adopt the foregoing "Hearing Examiner's Recommended Findings of Fact and Conclusions of Law."

DATED this 12th day of May, 2015.

By: 
John C. Rogers, Associate Director, Oil and Gas
Utah Division of Oil, Gas and Mining

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of May, 2015, I caused a true and correct copy of the foregoing **HEARING EXAMINER'S RECOMMENDED FINDINGS OF FACT AND CONCLUSIONS OF LAW** for Docket No. 2015-015, Cause No. 191-07, to be mailed by

Email or via First Class Mail with postage prepaid, to the following:

Mark L. Burghardt
William E. Ward
HOLLAND & HART, LLP
222 South Main Street, Suite 2200
Salt Lake City, UT 84101

United States of America
% Bureau of Land Management
Utah State Office
440 West 200 South, Suite 500
Salt lake City, UT 84101

Steven F. Alder, Esq.
Assistant Attorney General
Attorney for the Division of Oil, Gas and Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84114

KFRT, LLC
c/o Registered Agent
J Nicholas Murdock
211 S 2nd Street Unit A
Laramie, WY 82070-3682

LeMoyne H. Odell
PMB 199
3301 South 14th Street, Ste. 16
Abilene, TX 79605

Laura Rippentrop
QEP Energy Company
1050 17th Street, Suite 500
Denver, CO 80265

Michael S. Johnson, Esq.
Assistant Attorney General
Attorney for the Board of Oil, Gas and Mining
1594 West North Temple, Suite 300
Salt Lake City, UT 84114

Josephine Hunter, Surviving Spouse and Sole Heir and Personal Representative for the Estate of Roy A. Hunter
3737 Atlantic Avenue 1301
Long Beach, CA 90807

Fred V. Jones, Jr.
c/o Nancy Kay Hargrove
252 Wellington Dr
Austin, TX 78737-4735
[Address updated 4/23/15]

Cynthia H. Murchison
PO Box 1637
Dripping Springs, TX 78620

Staci L. Owen
10381 Tennyson Court
Westminster, Colorado 80031

Nancy Kay Hargrove
252 Wellington Drive
Austin, TX 78737-4735
[Address updated 4/20/2015]

Jay D. Rockey
22530 Cass Avenue
Woodland Hills, CA 91364

Virginia T. Schulze
6239 West Greentree Drive
Somis, CA 93066

Viking Resources Corporation
P.O. Box 160
Deerfield, OH 44411

